

Message Text

UNCLASSIFIED

PAGE 01 HONG K 02472 040526Z

14

ACTION EB-07

INFO OCT-01 EA-09 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15

AID-05 COME-00 FRB-01 TRSE-00 XMB-04 OPIC-06 CIEP-02

LAB-04 SIL-01 OMB-01 STR-04 CEA-01 CU-04 /106 W

----- 117816

R 040301Z MAR 76

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 9383

UNCLAS HONG KONG 2472

E.O. 11652: N/A

TAGS: EFIN, HK

SUBJECT: SUMMARY OF ANNUAL BUDGET SPEECH

1. LAST WEEK THE FINANCIAL SECRETARY FOR HONG KONG PRESENTED THE 1976-77 BUDGET TO THE LEGISLATIVE COUNCIL. IT IS BASED ON A REALISTICALLY OPTIMISTIC ECONOMIC FORECAST CALLING FOR 9 PERCENT GDP GROWTH IN 1976. THE PROJECTED INCREASE IN REVENUES WILL ALLOW SPENDING ON SOCIAL SERVICES TO INCREASE AFTER HAVING BEEN DRASTICALLY CUT IN 1975 DUE TO THE RECESSION. THE FINANCIAL SECRETARY REAFFIRMED HONG KONG'S COMMITMENT TO MAINTAINING A FAVORABLE CLIMATE FOR BUSINESS AND INVESTMENT HERE. (THIS AUGURS WELL FOR FOR BOTH THE PRESENT AND FUTURE U.S. TRADE AND INVESTMENT POSITION IN HONG KONG.)

2. TOTAL EXPENDITURE IS BUDGETED TO RISE TO APPROXIMATELY \$1.442 BILLION IN 1976-77, 16 PERCENT ABOVE 1975-76. (ALL FIGURES ARE IN US\$ AT US\$1.00 EQUALS HK\$5.00). MAJOR INCREASES ARE PROJECTED FOR THE FOLLOWING AREAS:

- A) LAW AND ORDER - UP 16 PERCENT
- B) EDUCATION - UP 6 PERCENT
- C) MEDICAL SERVICES - UP 7 PERCENT
- D) SOCIAL WELFARE - UP 14 PERCENT

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 HONG K 02472 040526Z

E) DEFENSE - UP 112 PERCENT

3. TOTAL BUDGET REVENUE, INCLUDING THE FS' REVENUE PROPOSALS, WILL REACH \$1.371 BILLION, LEAVING A DEFICIT OF \$71 MILLION. THE REVENUE PROPOSALS ARE PROGRAMMED TO RAISE AN ADDITIONAL \$27 MILLION IN 1976-77. THE MAJOR INCREASES ARE AS FOLLOWS:

A) CORPORATE TAX RATES ARE TO BE RAISED BY .5 PERCENT TO 17 PERCENT, GENERATING AN ADDITIONAL \$7 MILLION.

B) ESTATE TAXES ARE TO BE RAISED FROM A FLAT 15 PERCENT TO PROGRESSIVE RATES VARYING FROM 16 TO 18 PERCENT, TO YIELD AN ADDITIONAL \$1 MILLION.

C) STAMP DUTIES ON CERTAIN DOCUMENTS ARE TO BE INCREASED TO 2.75 PERCENT, YIELDING AN EXTRA \$2.2 MILLION IN 1976-77.

D) REAL ESTATE TAXES IN CERTAIN AREAS ARE TO BE INCREASED FROM 11 TO 12 PERCENT, YIELDING \$9.6 MILLION.

E) DUTY ON GASOLINE IS SLATED TO INCREASE 12 PERCENT TO \$.404 PER IMPERIAL GALLON. DUTY ON AUTOMOTIVE DIESEL FUEL WILL INCREASE 23 PERCENT TO \$.32 PER IG.

4. THE DEFICIT OF \$71 MILLION WILL BE FINANCED PARTIALLY BY DRAWING ON THE UNUSED PORTION OF THE \$50 MILLION BOND ISSUE OF LAST YEAR. BECAUSE THE 1975-76 DEFICIT WAS SMALLER THAN EXPECTED (\$10 MILLION VERUS AN ORIGINAL ESTIMATE OF \$86 MILLION) ONLY \$7 MILLION OF THE BOND ISSUE PROCEEDS WERE DRAWN UPON. ADDITIONALLY, THE FS NOTED THAT THE HKG HAS A \$60 MILLION EURODOLLAR CREDIT LINE WHICH WAS ESTABLISHED BUT NOT UTILIZED IN 1975. THIS NOW WILL ALSO BE UTILIZED IF NECESSARY.

5. AIRGRAM FOLLOWS WITH DETAILS OF BUDGET SPEECH.
CROSS

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT BUDGET, SPEECHES, CENTRAL LEGISLATURE
Control Number: n/a
Copy: SINGLE
Draft Date: 04 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976HONGK02472
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760082-0387
From: HONG KONG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760396/aaaadglk.tel
Line Count: 92
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 13 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 JUL 2004 by fisherem>; APPROVED <10 DEC 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SUMMARY OF ANNUAL BUDGET SPEECH
TAGS: EFIN, HK
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006